

Message Text

LIMITED OFFICIAL USE

PAGE 01 BRUSSE 13973 01 OF 02 171655Z
ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 AGRE-00 AID-05 CEA-01 CIAE-00
COME-00 EB-08 FRB-03 INR-10 NSAE-00 SP-02 STR-07
TRSE-00 LAB-04 SIL-01 OMB-01 SS-15 NSC-05 L-03
ITC-01 CTME-00 H-01 /093 W
-----059474 171731Z /46

R 171648Z JUL 78
FM AMEMBASSY BRUSSELS
TO SECSTATE WASHDC 7916
ALL EC CAPITALS
USMISSION GENEVA

LIMITED OFFICIAL USE SECTION 01 OF 02 BRUSSELS 13973

USEEC

PASS AGRICULTURE ELECTRONICALLY
TREASURY FOR ERENHAFT
PARIS ALSO FOR USOECD
GENEVA ALSO FOR USMTN

E.O. 11652: N/A
TAGS: EAGR, EEC
SUBJ: EC EXPORT SUBSIDY SYSTEM FOR SUGAR

REF: ERENHAFT/SHARPLESS TELECON OF 7/14/78

1. BEGIN SUMMARY: MISSION OFFICERS MET WITH COMMISSION
OFFICIALS FOR BRIEFING ON SUGAR EXPORT SUBSIDY SYSTEM IN
CONNECTION WITH CURRENT US CVD INVESTIGATION ON SUBSIDIZED
EC SUGAR IMPORTS. END SUMMARY.

2. MISSION OFFICERS MET WITH MESSRS. KRENZLER AND CAO (DG I),
AND FALKENBERG (DG VI) TO RECEIVE BRIEFING ON CURRENT OPERA-
TION OF EC EXPORT SYSTEM FOR SUGAR AS REQUESTED REFTTELECON.
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 BRUSSE 13973 01 OF 02 171655Z

THE COMMISSION HAD INFORMED US EARLIER THAT THEY WOULD
PREPARE A PAPER DETAILING THEIR SUBSIDY SYSTEM FOR SUGAR
WHICH IT WOULD DELIVER TO TREASURY DEPARTMENT THROUGH ITS
WASHINGTON OFFICE. ON FURTHER CONSIDERATION, COMMISSION
DECIDED TO DISCUSS THEIR SYSTEM ORALLY WITH THIS OFFICE.
FOLLOWING TOPICS WERE COVERED:

- A. HOW TENDERS FOR SUGAR EXPORTS ARE ORGANIZED;
 - B. HOW EXPORT SUBSIDY IS DETERMINED BY COMMISSION;
 - C. HOW PRODUCTION LEVY FOR OFFSETTING EXPORT REFUNDS IS DETERMINED;
 - D. HOW COMMISSION DETERMINES WHETHER EXPORTED SUGAR IS PRODUCED WITHIN MAXIMUM QUOTA AND SHOULD THEREFORE RECEIVE SUBSIDY.
3. TENDER SYSTEM:

OFFICIALS TOLD US THAT THE STANDING INVITATION TO TENDER APPLYING TO A PARTICULAR SUGAR MARKETING YEAR IS PUBLISHED BY THE COMMISSION (IN OFFICIAL JOURNAL) SEVERAL WEEKS PRIOR TO ACTUAL BIDDING FOR TENDERS OPENS. (ALMOST ALL EC SUGAR IS EXPORTED UNDER THE TENDER SYSTEM). INDIVIDUAL TRADERS DESIRING TO EXPORT SUGAR MUST SUBMIT THEIR NAME, THE QUANTITY TO BE EXPORTED AND THE AMOUNT OF SUBSIDY DESIRED TO MEMBER STATE AUTHORITIES. THIS INFORMATION, WITH THE EXCEPTION OF THE NAME OF THE EXPORTER, IS TRANSMITTED TO THE COMMISSION. IN WEEKLY MEETINGS, THE COMMISSION, WITHIN THE MANAGEMENT COMMITTEE FOR SUGAR, EXAMINES THE TENDERS SUBMITTED AND SETS THE MAXIMUM LEVEL OF SUBSIDY TO BE GRANTED FOR THE TENDERS UNDER CONSIDERATION. ACCORDING TO OFFICIALS, THIS DECISION IS BASED ON THE MANAGEMENT COMMITTEE'S ASSESSMENT OF INTERNAL AND WORLD MARKET CONDITIONS AND THEIR LIKELY VOLITION IN SUCCEEDING MONTHS. CONSIDERATION IS ALSO GIVEN TO THE TOTAL LEVEL OF DESIRED EXPORTS LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 BRUSSE 13973 01 OF 02 171655Z

WITH A VIEW TO MAINTAINING AN OUTFLOW SUFFICIENTLY HIGH TO DISPOSE OF THE EC SURPLUS WHILE AT THE SAME TIME NOT DEPRESSING WORLD PRICES.

4. WHEN THE MAXIMUM LEVEL OF EXPORT SUBSIDY IS SET BY THE COMMISSION, ALL TENDERERS ARE NOTIFIED OF THE OUTCOME BY THE MEMBER STATE CONCERNED. THE MAXIMUM LEVEL OF THE SUBSIDY ALSO APPEARS THE FOLLOWING DAY IN THE LONDON FINANCIAL TIMES. ALL EXPORTERS HAVING REQUESTED A SUBSIDY EQUAL TO OR LESS THAN THE MAXIMUM SET BY THE COMMISSION, ARE AWARDED THEIR TENDER UP TO THE MAXIMUM AMOUNT OF SUGAR AVAILABLE UNDER THE PARTIAL INVITATION TO TENDER. EACH EXPORTER WILL RECEIVE THE LEVEL OF SUBSIDY HE HAD REQUESTED AND NOT NECESSARILY THE MAXIMUM SUBSIDY SET BY THE COMMISSION. EXPORTERS NOT GRANTED A TENDER IN ANY PARTICULAR WEEK MAY RESUBMIT TENDERS IN SUBSEQUENT WEEKS. AN EXPORT LICENSE AND DEPOSIT OF SURETY IS ALSO REQUIRED.

5. PRODUCTION LEVY:

MEMBER STATES ASSESS A PRODUCTION LEVY ON MANUFACTURERS FOR SUGAR PRODUCED OUTSIDE THE BASIC QUOTA BUT WITHIN THE MAXIMUM

QUOTA ("B" SUGAR). THE AMOUNT OF THE LEVY IS EQUAL TO THE PER UNIT COSTS OF DISPOSING OF QUOTA "B" SUGAR BUT MAY NOT, HOWEVER, EXCEED 30 PERCENT OF THE INTERVENTION PRICE FOR WHITE SUGAR. WHEN THE PRODUCTION LEVY IS LESS THAN 30 PERCENT OF THE INTERVENTION PRICE, SUGAR MANUFACTURERS ARE REQUIRED TO PAY BEET SELLERS SOME PERCENTAGE OF THIS DIFFERENCE.

6. SUGAR PRODUCED OUTSIDE OF MAXIMUM QUOTA:

NO SUBSIDIES ARE PAID ON EXPORTS OF SUGAR PRODUCED OUTSIDE OF THE MAXIMUM QUOTA ("C" SUGAR). PRODUCERS ARE REQUIRED,

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 BRUSSE 13973 02 OF 02 171658Z
ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 AGRE-00 AID-05 CEA-01 CIAE-00
COME-00 EB-08 FRB-03 INR-10 NSAE-00 SP-02 STR-07
TRSE-00 LAB-04 SIL-01 OMB-01 SS-15 NSC-05 ITC-01
CTME-00 L-03 H-01 /093 W
-----059490 171731Z /46

R 171648Z JUL 78
FM AMEMBASSY BRUSSELS
TO SECSTATE WASHDC 7917
ALL EC CAPITALS
USMISSION GENEVA

LIMITED OFFICIAL USE SECTION 02 OF 02 BRUSSELS 13973

USEEC

PASS AGRICULTURE ELECTRONICALLY
TREASURY FOR ERENHAFT
PARIS ALSO FOR USOECD
GENEVA ALSO FOR USMTN

HOWEVER, TO EXPORT SUCH SUGAR AND MAY NOT DISPOSE OF IT ON THE INTERNAL MARKET. IN ORDER TO AVOID PAYING SUBSIDIES ON "C" SUGAR, AN EXPORTER MUST FIRST FURNISH PROOF TO THE COMMISSION THAT HE HAS EXPORTED ALL OF THE "C" SUGAR THAT HE HAD PURCHASED. THE PENALTY FOR NOT FURNISHING SUCH INFORMATION IS AN ASSESSMENT OF THE HIGHEST LEVY FIXED WITHIN A SPECIFIED PERIOD PLUS OTHER EXPENSES INCURRED.

7. AFTER BRIEFING, OFFICIALS CONVEYED THEIR "UNOFFICIAL" VIEW OF HOW, IN THEIR OPINION, THE CURRENT SITUATION REGARDING US IMPORTS OF SUBSIDIZED SUGAR FROM THE EC COULD BE SOLVED. OFFICIALS POINTED OUT THAT PARAGRAPH 1, ARTICLE 57 OF THE INTERNATIONAL SUGAR AGREEMENT REQUIRES THAT EACH MEMBER SHALL LIMIT ITS MAXIMUM IMPORTS OF SUGAR FROM NON-LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 BRUSSE 13973 02 OF 02 171658Z

MEMBER COUNTRIES AS A GROUP TO 55 PERCENT (PROVIDED THE PREVAILING ORLD PRICE IS BELOW 11 CENTS PER POUND) OF THE AVERAGE ANNUAL QUANTITY WHICH IT IMPORTED FROM SUCH COUNTRIES AS A GROUP OVER THE FOUR-YEAR PERIOD 1973-1976, DISREGARDING THE YEAR OF LOWEST IMPORTS FOR SUCH COUNTRIES AS A GROUP. EC OFFICIALS ESTIMATED THAT THE EC HAD EXPORTED NO MORE THAN 30 TO 40,000 TONS OF RAW SUGAR ANNUALLY TO THE US DURING THE REFERENCE PERIOD. THEY SUGGESTED THAT PERHAPS A SOLUTION FOR THE FUTURE WOULD BE SIMPLY, AS ART OF THE US OBLIGATION UNDER ISA, NOT TO ALLOW FURTHER IMPORTS OF EC SUGAR. THIS SOLUTION, THEY SAID, WOULD CERTAINLY BE THE BEST FOR THEM SINCE THE EC IS STILL QUESTIONING THE PRINCIPLE OF THE US COUNTERVAILING DUTY LAW. THIS SOLUTION WOULD PROVIDE AN AVENUE FOR AVOIDING THIS SENSITIVE AREA. HINTON

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: EXPORTS, SUGAR
Control Number: n/a
Copy: SINGLE
Draft Date: 17 jul 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978BRUSSE13973
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780292-1272
Format: TEL
From: BRUSSELS USEEC
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780754/aaaabtgx.tel
Line Count: 197
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: ddfa7f72-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1991170
Secure: OPEN
Status: NATIVE
Subject: EC EXPORT SUBSIDY SYSTEM FOR SUGAR
TAGS: EAGR, EEC
To: STATE GENEVA
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/ddfa7f72-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014